

REVENUE DEPARTMENT[701]

Adopted and Filed

Pursuant to the authority of Iowa Code sections 421.14, 423.25, and 423A.6, the Department of Revenue hereby adopts amendments to Chapter 235, "Rebate of Iowa Sales Tax Paid," and Chapter 241, "Excise Taxes Not Governed by the Streamlined Sales and Use Tax Agreement," Iowa Administrative Code.

Notice of Intended Action was published in IAB Vol. XXXIII, No. 15, pp. 1090-1092, on January 26, 2011, as **ARC 9339B**.

These amendments address changes made to the rebate requirements for the Newton racetrack under 2009 Iowa Acts, Senate File 478. In addition, Items 4 through 7 amend Chapter 241 to clarify the scope and applicability of Iowa's hotel and motel tax imposed under Iowa Code chapter 423A.

These amendments are different from those published under Notice of Intended Action. The word "purposes" has been changed to "purpose" in paragraph 235.1(1)"b" to be consistent with paragraph 235.1(1)"a," and one reference to a time period in subrule 241.5(1) has been revised to reflect the correct number of days.

These amendments will become effective April 27, 2011, after filing with the Administrative Rules Coordinator and publication in the Iowa Administrative Bulletin.

These amendments are intended to implement Iowa Code section 423.4(5) and chapter 423A.

The following amendments are adopted.

ITEM 1. Amend subrule 235.1(1) as follows:

235.1(1) Definitions.

a. For the purpose of this program, prior to July 1, 2009, the following definitions apply:

"*Automobile racetrack facility*" means a sanctioned automobile racetrack facility located as part of a racetrack and entertainment complex, including any museum attached to or included in the racetrack facility, but excluding any restaurant, and which facility is located, on a maximum of 232 acres, in a city with a population of at least 14,500 but not more than 16,500 residents, which city is located in a county with a population of at least 35,000; but not more than 40,000 residents, and where the construction on the racetrack facility commenced not later than one year following July 1, 2005, and the cost of the construction upon completion was at least \$35 million.

"*Change of control*" means any of the following:

1. Any change in the ownership of the original or any subsequent legal entity that is the owner or operator of the automobile racetrack facility such that at least 60 percent of the equity interests in the legal entity cease to be owned by individuals who are residents of Iowa, an Iowa corporation, or combination of both.

2. The original owners of the legal entity that is the owner or operator of the automobile racetrack facility shall collectively cease to own more than 50 percent of the voting equity interests of such legal entity or shall otherwise cease to have effective control of such legal entity.

"*Iowa corporation*" means a corporation incorporated under the laws of Iowa where at least 60 percent of the corporation's equity interests are owned by individuals who are residents of Iowa.

"*Owner or operator*" means a for-profit legal entity where at least 60 percent of its equity interests are owned by individuals who are residents of Iowa, an Iowa corporation, or combination of both and that is the owner or operator of an automobile racetrack facility and is primarily a promoter of motor vehicle races.

"*Population*" means the population based upon the 2000 certified federal census.

b. For the purpose of this program, on and after July 1, 2009, the following definitions apply:

"Automobile racetrack facility" means a sanctioned automobile racetrack facility located as part of a racetrack and entertainment complex, including any museum attached to or included in the racetrack facility, but excluding any restaurant, and which facility is located, on a maximum of 232 acres, in a city with a population of at least 14,500 but not more than 16,500 residents, which city is located in a county

with a population of at least 35,000 but not more than 40,000 residents, and where the construction on the racetrack facility commenced not later than one year following July 1, 2005, and the cost of the construction upon completion was at least \$35 million.

“Change of control” means any of the following:

1. Any change in the ownership of the original or any subsequent legal entity that is the owner or operator of the automobile racetrack facility such that less than 25 percent of the equity interests in the legal entity is owned by individuals who are residents of Iowa, an Iowa corporation, or combination of both.

2. The original owners of the legal entity that is the owner or operator of the automobile racetrack facility shall collectively cease to own at least 25 percent of the voting equity interests of such legal entity.

“Iowa corporation” means a corporation incorporated under the laws of Iowa where at least 25 percent of the corporation’s equity interests are owned by individuals who are residents of Iowa.

“Owner or operator” means a for-profit legal entity where at least 25 percent of its equity interests are owned by individuals who are residents of Iowa, an Iowa corporation, or combination of both and that is the owner or operator of an automobile racetrack facility and is primarily a promoter of motor vehicle races.

“Population” means the population based upon the 2000 certified federal census.

ITEM 2. Amend subrules 235.1(4) and 235.1(5) as follows:

235.1(4) Limitations. The automobile racetrack facility rebate program applies only to transactions ~~which that~~ occur on or after January 1, 2006, but before January 1, 2016, and for which sales tax was collected. Only the state sales tax is subject to rebate. The rebate is limited to 5 percent. Local option taxes paid and collected are not subject to rebate. Rebates of sales taxes to an automobile racetrack facility are not authorized for transactions ~~which that~~ occur on or after the date of the ~~sale or other transfer, whether voluntary or involuntary, of the automobile racetrack facility to a party other than the original owner of the facility or upon a change of control of such~~ the automobile racetrack facility.

235.1(5) Termination of rebate program. The rebate program for automobile racetrack facilities is a pilot program ~~which that~~ terminates on the earliest of the following dates:

- a. June 30, 2016; or
- b. Thirty days following the date on which \$12,500,000 in total rebates have been provided; or
- c. ~~Thirty days following the date of the sale or other transfer, whether voluntary or involuntary, of the automobile racetrack facility to a party other than the original owner of the facility or upon a change of control of such~~ the automobile racetrack facility.

ITEM 3. Amend rule **701—235.1(423)**, implementation sentence, as follows:

This rule is intended to implement Iowa Code Supplement section 423.4(5) ~~and 2005 Iowa Acts, chapter 110.~~

ITEM 4. Amend rule **701—241.3(423A)**, definition of “Lodging,” as follows:

“Lodging” means rooms, apartments, or sleeping quarters in a hotel, motel, inn, public lodging house, rooming house, or manufactured or mobile home which that is tangible personal property, or in a tourist court, or in any place where sleeping accommodations are furnished to transient guests for rent, whether with or without meals. The word “lodging” does not refer to the rental of rooms for purposes other than sleeping or resting, including but not limited to rental of rooms for meetings, conferences, weddings, or banquets.

ITEM 5. Amend rule 701—241.4(423A) as follows:

701—241.4(423A) Imposition of tax. A tax of 5 percent is imposed upon the sales price for the rental of any lodging if the rental occurs in this state. The tax shall be collected by any lessor of lodging from the user of that lodging. The lessor shall add the tax to the sales price of the lodging, and the state-imposed tax, when collected, shall be stated as a distinct item, separate and apart from the sales price of the lodging and the local tax imposed, if any, under Iowa Code section 423A.4. The rental of a mobile or manufactured home that is tangible personal property is treated as the rental of lodging.

ITEM 6. Amend rule 701—241.5(423A) as follows:

701—241.5(423A) Exemptions. The tax described in this division shall not apply: ~~(a) when~~

241.5(1) ~~To lodging is furnished to a person if that person rents contracts to rent any rooms or facility for more than 31 consecutive days, (b) to the renting of.~~ The renter must contract to rent for a single period of more than 31 consecutive days. The renter may not accumulate these days by contracting for two or more rental transactions. The incremental manner in which customers are billed by the hotel, motel, inn, public lodging house, rooming or tourist court, or any place where sleeping accommodations are furnished to transient guests does not influence the accumulation of days that is required to claim the exemption.

241.5(2) To sleeping rooms rented in dormitories and in memorial unions at all universities and colleges located in the state, (c) to.

241.5(3) To contracts made directly with the federal government, or (d) to the renting of.

241.5(4) To lodging rented to the guest of a religious institution upon located on real property exempt from tax as the property of a religious institution, if the reason for renting the room is to provide a place for a religious retreat or function and not a place for transient guests generally.

ITEM 7. Amend **701—Chapter 241, Division I**, implementation sentence, as follows:

This division is intended to implement 2005 Iowa Code Supplement chapter 423A.

[Filed 3/4/11, effective 4/27/11]

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 3/23/11.